

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 1004 - HB 1082

March 4, 2021

SUMMARY OF BILL: Authorizes private institutions of higher learning to sell alcoholic beverages for on-premises consumption at sports facilities.

ESTIMATED FISCAL IMPACT:

Increase State Revenue –

Exceeds \$6,900/FY21-22/ABC Fund

Exceeds \$6,000/FY22-23 and Subsequent Years/ABC Fund

Exceeds \$83,300/FY21-22 and Subsequent Years/General Fund

Increase Local Revenue –

Exceeds \$63,000/FY21-22 and Subsequent Years/Permissive

Assumptions:

- This legislation is estimated to apply to approximately 25 private universities that have athletic programs.
- It is assumed that there will be at least three additional sports facility licenses issued.
- There is an initial application fee of \$300 and a \$2,000 annual fee payable to the Tennessee Alcoholic Beverage Commission (ABC).
- A total increase in state revenue to ABC exceeding \$6,900 $[(\$300 + \$2,000) \times 3]$ in FY21-22 and an increase in state revenue to ABC exceeding \$6,000 $(\$2,000 \times 3)$ in FY22-23 and subsequent years.
- Pursuant to Tenn. Code Ann. § 57-4-301(b)(2), the local privilege tax is estimated to be \$1,000 for a sports facility.
- State and local sales taxes and a 15.0 percent liquor-by-the-drink (LBD) tax will be assessed on alcoholic beverage sales.
- The current state sales tax rate is 7.0 percent; the local option sales tax rate is 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- Pursuant to Tenn. Code Ann. § 57-4-306(a), 50.0 percent of the 15.0 percent LBD tax is allocated to the state General Fund and 50.0 percent is distributed to the local government.
- It is assumed that the establishments will begin selling alcohol in FY21-22.
- Based on historical LBD tax return data, the average taxable base per establishment is estimated to be approximately \$130,000 per year.

- Given current limitations on the availability of LBD sales data by venue type and size, it is assumed that there are three venue-type categories: smaller than average; average; and larger than average. For the purpose of estimating the tax base for entities authorized to conduct LBD sales pursuant to legislation, the following ratios relative to the average LBD taxable base for all sized entities are utilized: 50 percent for smaller than average; 100 percent for average; and 150 percent for larger than average.
- The recurring increase in sales is estimated to be \$195,000 ($\$130,000 \times 150\%$) per year per venue.
- The recurring increase in state revenue to the General Fund in FY21-22 and subsequent years is estimated to exceed \$83,344 $\{[(\$195,000 \times 7.0\%) - (\$195,000 \times 7.0\% \times 3.617\%) + (\$195,000 \times 15.0\% \times 50.0\%)] \times 3\}$.
- The recurring increase in local revenue in FY21-22 and subsequent years is estimated to exceed \$62,981 $\{[\$1,000 + (\$195,000 \times 2.5\%) + (\$195,000 \times 7.0\% \times 3.617\%) + (\$195,000 \times 15.0\% \times 50.0\%)] \times 3\}$.
- Any revenue collected from any state or local taxes imposed on manufacturers or wholesalers is estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Bojan Savic, Interim Executive Director

/aw